

Louisiana Public Service Commission

Rulemaking to Study the Possible Development of Financial
Incentives for the Promotion of Energy Efficiency by Jurisdictional
Electric and Natural Gas Utilities

Staff Technical Conference

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Docket Number R-31106

Technical Conference Agenda

- Background
- Tasks Currently Being Performed in Docket R-31106
- First Round of Comments
- Survey of Other States
- Findings In Staff's Preliminary Report
- Issues to Address in Order to Implement an LPSC EE rule
- Next Steps

Background

- Like other utilities, Louisiana utilities have had a long history of implementing types of DSM/EE programs
- Interest in DSM/EE has waxed and waned over time
- Since the early 2000s and particularly after the Energy Policy Act of 2005, interest in EE has been rekindled
- Interest was particularly keen then due to rising demand, increasing fuel costs, and concern over the environment
- In 2009, the LPSC decided to re-study the feasibility of an RPS

Background (continued)

- Staff's RPS report found that EE could be one of the most cost-effective options if an RPS was implemented
- The Commission decided to implement a renewable energy pilot first
- EE and CHP were not permitted to qualify for the pilot, partly because they would be studied in the Commission's recently opened EE docket (R-31106)
- R-31106 was opened in 2009 to investigate financial incentives to promote energy efficiency programs in Louisiana
- Also, since 2007, the LPSC has authorized Entergy to implement advanced metering programs and Cleco is currently seeking authorization

Tasks Currently Being Performed In Docket R-31106

- Staff is currently performing the following tasks:
 - Conducted an initial round of comments (summarized in Staff's report)
 - Surveyed best practices in similar states (included in Staff's report)
 - Conducting a technical conference (January 25, 2010)
 - Narrow the list of policy options to develop an initial EE rule
 - Finalize an initial EE rule based on a collaborative process with stakeholders
- Surveyed policies in Arkansas, City of New Orleans, North Carolina, South Carolina and Virginia
- As discussed in Staff's report, along with incentives there are many other issues that must be considered in order for an EE rule to be implemented

First Round of Comments

- Staff received comments to a series of questions on April 8, 2010, which
 - Expressed unilateral support for the Commission to take action to promote the use of energy efficiency in Louisiana
 - Cautioned that EE should be undertaken only if it provides net, quantifiable benefits.
 - Provided definitions of energy efficiency
 - Identified issues to be addressed in this rulemaking
 - Identified programs the utilities have currently implemented
 - Identified studies the utilities have conducted
 - Identified types of incentives
 - ❖ Program cost recovery
 - ❖ Recovery of lost contribution to fixed costs
 - ❖ Performance bonus / shared savings

Survey of Other States

- Staff's Survey of Other States Found
 - In the other states, usually the State Legislature took some initiating action that caused the State PSC to conduct further investigation of EE
 - Typically the process of implementing EE rules took from 1 – 3 years from Commission investigation to the time a utility first began to implement programs
 - Process of developing rules typically involved a collaborative stakeholder process
 - Lost revenue recovery permitted in all States/Cities surveyed (APSC will determine on a case by case basis)
 - Following incentive mechanisms implemented
 - ❖ City of New Orleans - ROE adjustment based on meeting performance goals
 - ❖ Arkansas – Shared savings of net benefits based on meeting performance goals
 - ❖ North Carolina – Compensated based on savings achieved including a return component
 - ❖ South Carolina – Shared savings of net benefits based on meeting performance goals
 - ❖ Virginia – Program costs allowed to earn a margin related to the ROE

Survey of Other States (continued)

- Evaluation tests used
 - ❖ City of New Orleans – TRC and PAC
 - ❖ Arkansas – TRC
 - ❖ North Carolina – PAC
 - ❖ South Carolina – PAC
 - ❖ Virginia – TRC, RIM, PAC, PT
- Opt-out provision permitted in all of the states surveyed
- Required EM&V programs in all states/cities

Findings in Staff's Preliminary Report

- Staff is currently considering the following recommendations:
 - EE guidelines should be adopted to allow utilities to propose to implement EE programs
 - The TRC test should be the primary test, though weight should be given to other tests as well
 - EM&V must be included in any EE program approved by the Commission
 - Properly designed incentives should be considered (lost revenue, sharing of benefits, etc.)
 - Opt-out provisions may be considered

Issues to Address In Order to Implement an LPSC EE Rule

- Who should implement EE programs (electric, gas, coops, third party administrator)?
- Should any target or mandate be implemented?
- What range of consumption and peak load reductions could each utility potentially achieve?
- What cost-effectiveness tests should be relied on?
- How should the Commission define the terms "achievable," and "cost-effective"?
- What impact might a utility's EE program have on economic development in Louisiana?

Issues to Address In Order to Implement an LPSC EE Rule (continued)

- What range of costs might consumers be willing to pay to achieve reductions, and what range of financial benefits or savings could be realized if the targets were met over a 15-year period?
- Should certain customers be allowed to opt-out?
- What EM&V procedures should be employed to ensure programs achieved stated objective?
- Should deemed savings be relied on, and does a technical manual need to be created?
- What kind of program filing should be made?
- Should fuel switching and load building programs be allowed?
- What type of customer incentives may be allowed (information, technical assistance, leasing programs, product giveaways, direct financial inducements such as rebates, discounted product and services, low rate financing, etc.)

Issues to Address In Order to Implement an LPSC EE Rule (continued)

- What process should be used to design programs (utility only or collaborative)?
- Should statewide programs be implemented?
- What type of customer information program should be implemented?
- What cost recovery should be allowed (program costs, incentives, lost contribution to margin), as well as other cost recovery and cost allocation details?
- What reporting procedures should be implemented?

Next Steps

- Staff's current plans include:
 - Requesting comments from stakeholders
 - Working to narrow options to develop EE rule
 - Finalizing the EE rule based on a collaborative process resulting in a request for Commission approval
- Staff is contemplating the following further steps:
 - Requiring utilities to file Pilot EE programs
 - Conducting an assessment of those programs
 - Further developing the EE rule
 - Requiring utilities to turn programs into more permanent programs
- Staff will consult with stakeholders to determine if another process would be more appropriate
- Staff would also like to discuss further about the role of CHP in an EE rule